



Investment Fraud & Scams

Christine N. Kieffer, Senior Director, FINRA Foundation

Alliance for Retired Americans Seminar on

“The American Pension Crisis” | November 19, 2019

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Who Are We?



FINRA

- Not-for-profit regulator authorized by Congress
- Mission: investor protection and market integrity



FINRA Foundation

- Research and outreach
- Financial capability for all Americans

A Call from Ruth



GUARDIAN INVESTMENTS
New York, New York 10001

Account Number:
063-04011

Account Name:
Leonard and Ruth Mitchell

Address:
215 Lucretia Lane
Columbiana, OH 44408

Social Security Number:
[REDACTED]

Account Statement
For Period Ending:
31-Mar-04

For Information Regarding Your Account
Please Contact Your Representative:
MORCAN & ASSOCIATES, CPAs
274 THIRD STREET
BEAVER, PA 15009
(724)728-7799

Description Of Security	Date Of Purchase	Cost Basis	Fair Market Value	Income This Cluster	Income Year-To-Date	Annualized Rate-Of Return	Expected Annual Income
REMIC Bonds-8.00% yield	12/18/90	2,542.92	2,584.88	41.96	41.96	8.25%	210
REMIC Bonds-8.00% yield	02/20/91	65,109.91	61,079.75	961.74	961.74	8.00%	4,809
REMIC Bonds-8.00% yield	02/23/91	23,489.77	25,873.73	375.96	375.96	8.00%	1,880
Interest Distribution	03/31/04	13,650.36	14,071.90	221.60	221.60	8.00%	1,108
TOTAL			(1,601.27)				
		\$ 100,000.00	\$ 100,000.00	\$ 1,501.27	\$ 1,601.27		\$ 8,008

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Investment Fraud: Prevalence, Impact


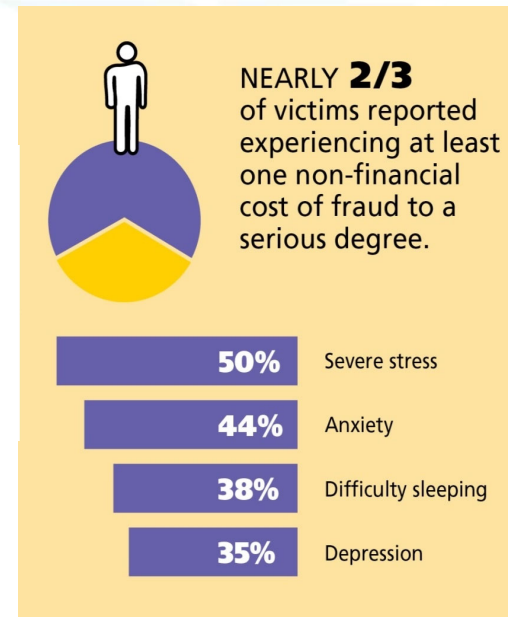
More than **8 in 10** solicited for potentially fraudulent offers



\$50 BILLION
per year lost to fraud



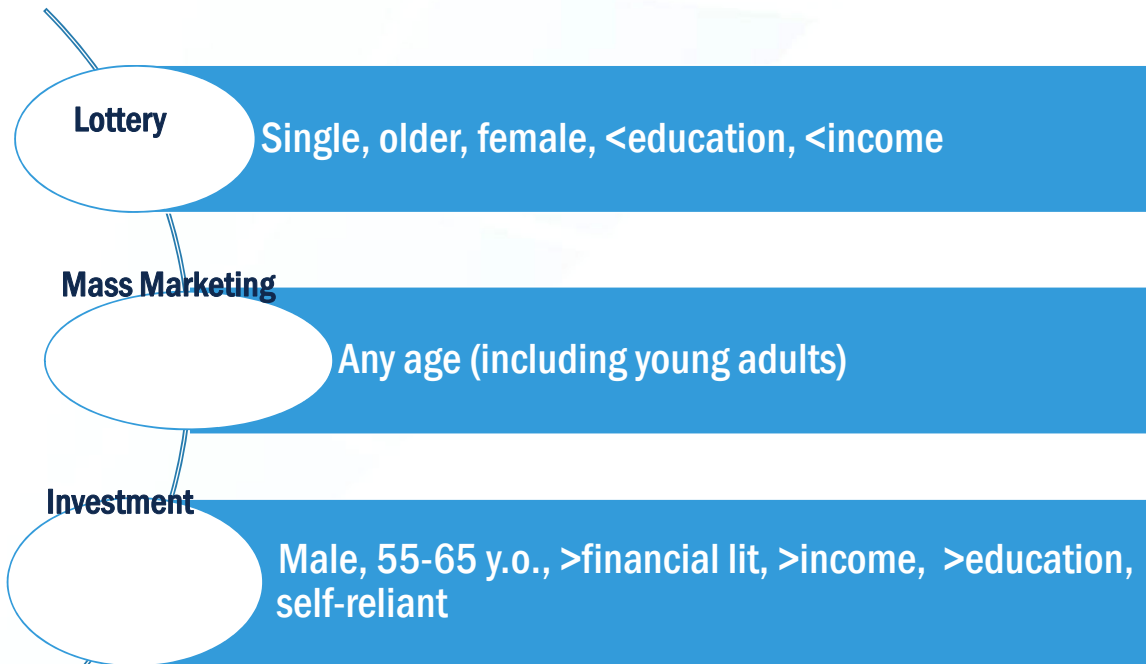
Americans age 65 and older are more likely to be targeted and 34% more likely to lose money once targeted than respondents in their 40s.

Sources: FINRA Investor Education Foundation research reports, *Financial Fraud and Fraud Susceptibility in the United States* (2013) and *Non-Traditional Costs of Financial Fraud* (2015).

Who's at Risk?

Anyone can be a victim; profiles vary by scam type



Key Risk Factors for Fraud

Repeatedly Targeted



Excited!!!



Fearful / Afraid

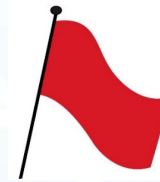


Angry!

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What Investment Fraud Looks Like

- This is a **private placement - will go public** in 10 or 11 months.
- At \$2 a share, we have an **absolute lock on the market**. The **experts** are telling us it will **come out anywhere between \$15 and \$18**.
- We've got something **nobody else has**.
- Restricted...but with the **kind of return you are going to make** it really doesn't matter.
- I just want to **prove what I can do for you**...because when another one comes along, you are with me again.



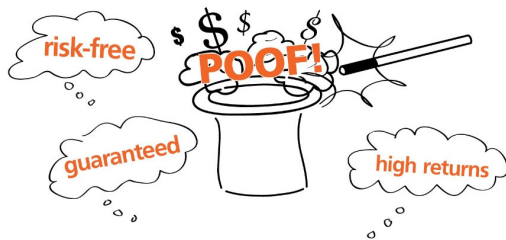
FINRA
Investor Education
FOUNDATION

- 6 month investment with **profitability of 3-5 times**.
- You can do this with **your IRA**.
- **We are controlling risk as much as we can**...huge winner for our clients.
- The management team doesn't make money unless it goes public...**this team has done this before**.

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Building Emotion - Persuasion

Phantom Riches



Source Credibility



Reciprocity



Social Concensus

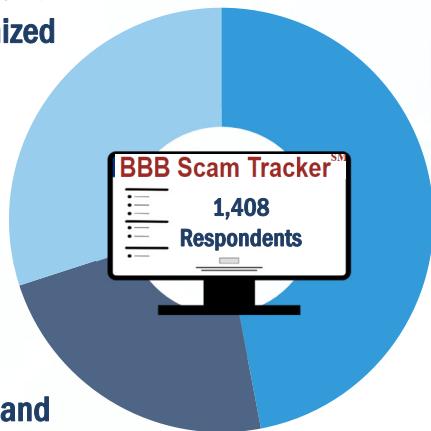


Scarcity



What Separates Victims from Non-Victims?

Engaged and
not victimized
30%



Did not
engage
47%

Engaged and
victimized
23%

“Sounded like a sheriff’s deputy, and he was threatening me with immediate arrest if I didn’t comply.”

Victims’ Top Reasons for Engaging

Non-victims were much less likely to agree with these statements

- They seemed official
- I was under time pressure
- I thought the person was nice
- I worried about missing out on an opportunity

Source: Exposed to Scams: What Separates Victims from Non-Victims? FINRA Foundation, BBB Institute for Marketplace Trust, Stanford Center on Longevity (September 2019)

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Social Isolation Increases Risk

Among respondents who engaged...

- Those who *did not have anyone available* to discuss it with were more likely to lose money.
- Those who *chose not to* discuss the solicitation with anyone while it was happening were more likely to lose money.

“I talked to my kids and they said they were pretty sure it was a scam.”

Protect Yourself



Ask Questions; Do Your Homework

How can I verify this info?

What could go wrong?

Do I feel pressured and emotional?



What if this IS a scam?

Do I have to pay a fee up front? Or pay via gift cards?

Can I afford to lose this money?

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How do you *really* feel about risk?

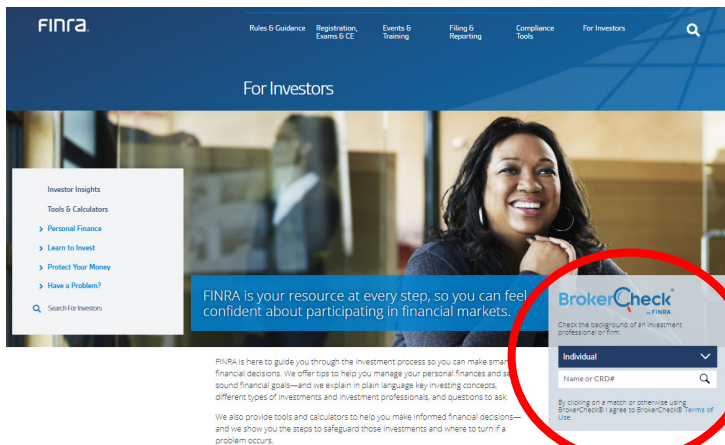
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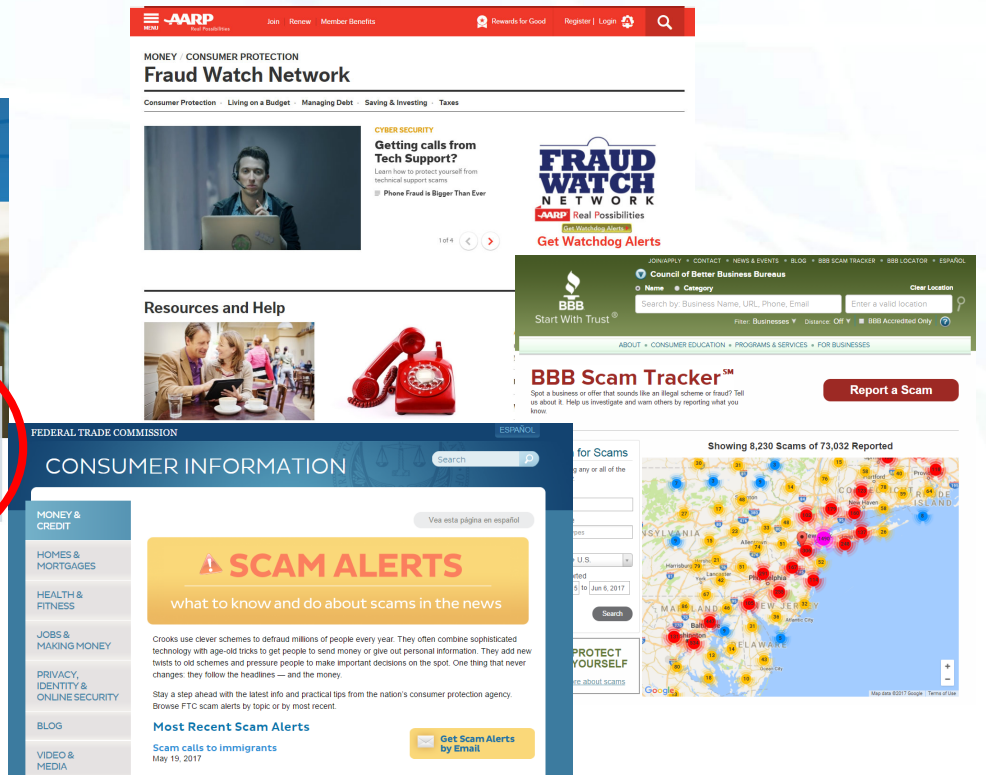
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Check Independent Sources

www.FINRA.org/Investors



The screenshot shows the FINRA website for investors. A red circle highlights the 'BrokerCheck' section, which includes a search bar for 'Name or CRD#'. Below the search bar, there is a dropdown menu set to 'Individual' and a checkbox for 'By clicking on a match or otherwise using BrokerCheck, I agree to BrokerCheck's Terms of Use.' The main content area features a woman smiling and text stating: 'FINRA is your resource at every step, so you can feel confident about participating in financial markets.'



This collage features several consumer protection resources:

- AARP Money & Consumer Protection:** A red header with navigation links like 'Join', 'Renew', and 'Member Benefits'. The main content area is titled 'Fraud Watch Network' and includes a 'Get Watchdog Alerts' button.
- BBB Council of Better Business Bureaus:** A green header with a search bar and filters. It features a 'BBB Scam Tracker' section with a 'Report a Scam' button and a map showing 8,230 scams out of 73,032 reported.
- Federal Trade Commission (FTC):** A blue header with a search bar. The main content area is titled 'CONSUMER INFORMATION' and features a prominent yellow 'SCAM ALERTS' banner with the text 'what to know and do about scams in the news'. Below this, there is a 'Most Recent Scam Alerts' section with a 'Get Scam Alerts by Email' button.

**The American Pension Crisis
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FINRA.org/BrokerCheck

[BrokerCheck Help Line \(800\) 289-9999](#) | [FINRA Home](#)

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FIRM

By clicking the SEARCH button or otherwise using BrokerCheck, I agree to [BrokerCheck Terms of Use](#)

John Q Broker
at

in

SEARCH

Show Filters

We found 119 results
1 of 10 pages
List View | Sort By Relevance

John Q. Broker
CRD# 123456789

Firm Name, Address & CRD

B Broker *Regulated by FINRA*

IA Investment Adviser

Disclosures

Years of Experience 49

MORE DETAILS >

Jane Q. Broker
CRD#: QQQQQQ

Currently Not Registered

PR Previously Registered Broker

PR Previously Registered Investment Adviser

No Disclosures

Years of Experience 34

MORE DETAILS >

Joseph Q. Broker
CRD#: JQ1234

BARRED

PR Previously Registered Broker

Disclosures

Years of Experience 14

MORE DETAILS >

John F. X. Broker
CRD# XXXXXXXX


Firm Name, Address & CRD

B Broker *Regulated by FINRA*

No Disclosures

Years of Experience 41

MORE DETAILS >



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More Resources from FINRA



FINRA Securities Helpline for Seniors™



A toll-free number that senior investors can call to get assistance from the Financial Industry Regulatory Authority (FINRA) or raise concerns about issues with brokerage accounts and investments.

**Call 844-57-HELPS
(844-574-3577)
Monday – Friday
9 a.m. – 5 p.m. Eastern Time**

Are you a senior investor with questions about your brokerage account statement or an investment in a brokerage account? Are you concerned that your account may have been mishandled by a broker? To help you with these and other investment-related questions, FINRA provides the Securities Helpline for Seniors.



**(844) 57-HELPS
(844-574-3577)**

**Monday to Friday
9 am – 5 pm (Eastern)**

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How to Find and Work with an Investment Professional

INVESTORINFO
Power of Attorney and Your Investments

INVESTORALERT
How to Avoid Investment Scams

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SCAMS

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How Ponzi Schemes Work

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PREPAID SCHEMES

INVESTORALERT
PROMISSORY NOTE FRAUD

WHO IS FINRA?

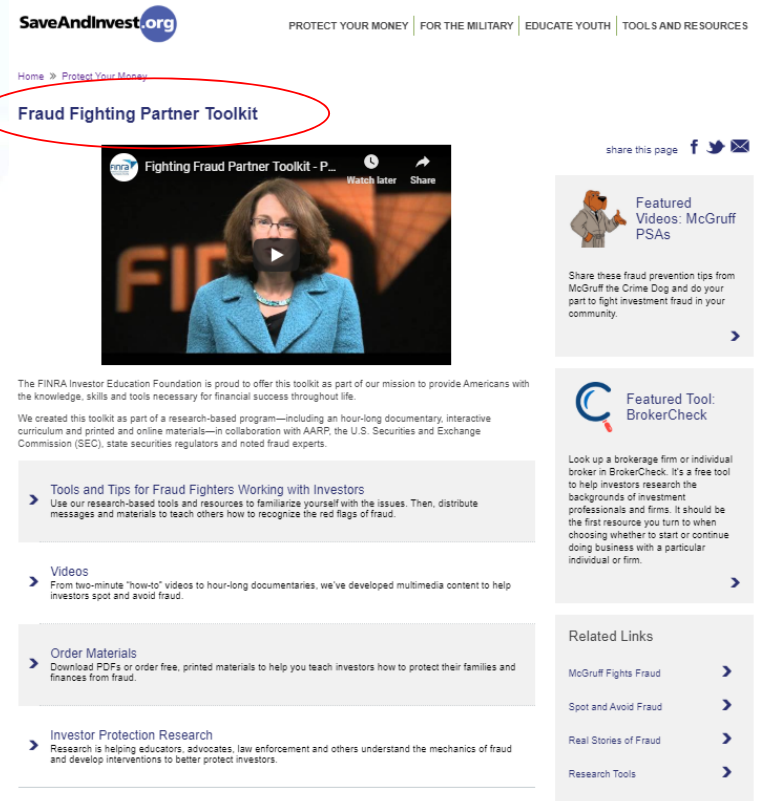
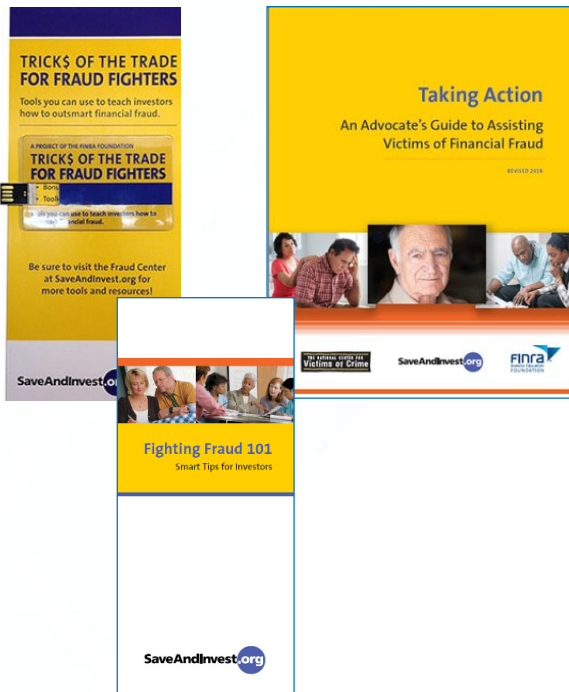
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